

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
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In the Matter of)
)
Petition for Rulemaking of)
the Ad Hoc Telecommunications)
Users Committee: Amendment) RM-8480
of Part 36 and Part 69 of)
the Commission's Rules to)
Effect Comprehensive Reform)
of the Access Charge System)

COMMENTS

U S WEST Communications, Inc. ("U S WEST"), through counsel, and pursuant to the Federal Communications Commission's ("Commission") Notice,¹ hereby submits its Comments on the Petition for Rulemaking of the Ad Hoc Telecommunications Users Committee ("Ad Hoc") to amend the Commission's access charge and separations rules (i.e., Parts 36 and 69).²

I. INTRODUCTION

In its Petition, Ad Hoc urges the Commission to proceed with comprehensive reform of the access charge rules at the earliest possible date.³ While Ad Hoc continues to believe that separations reform is necessary, it has modified its earlier position

¹Public Notice, Request Amendment of the Commission's Rules to effect Comprehensive Reform of the Access Charge System, RM-8480, Report No. 2013, rel June 2, 1994.

²In the Matter of Amendment of Part 36 and Part 69 of the Commission's Rules to Effect Comprehensive Reform of the Access Charge System, RM-8480, Petition for Rulemaking of the Ad Hoc Telecommunications Users Committee filed Apr. 15, 1994 ("Petition").

³Id. at 4.

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that "full separations reform must be implemented before the Commission initiates significant access reform."⁴ U S WEST welcomes this change in Ad Hoc's position. Ad Hoc explicitly recognizes that separations reform, while important, will be the product of a long and drawn out contentious proceeding.⁵ Delaying access charge reform until the completion of such a proceeding would serve no one's interests.

While many of Ad Hoc's suggestions and proposals deserve serious consideration, one troubling theme reappears throughout the Petition and its attached Exhibit A.⁶ That is, Ad Hoc's assertion that the issue of local exchange carrier ("LEC") pricing flexibility need not be addressed in a comprehensive reform of the Commission's access charge rules.⁷ It is impossible to reconcile Ad Hoc's position on LEC pricing flexibility with its argument that "comprehensive access charge system reform is needed to ensure a balanced and orderly process for transition to effective competition."⁸ Ad Hoc downplays this critical flaw in its proposal by asserting that it would support greater LEC pricing flexibility when "effective competition" in the provision of access and local exchange services becomes a reality and by

⁴Id. at 4-5.

⁵Id. at 12-13.

⁶Selwyn, Lee L., and Gately, Susan M., Economics and Technology, Inc., Access and Competition: The Vital Link, March 1994 ("ETI Study").

⁷Petition at 13-14; ETI Study at 34.

⁸Petition at 2.

claiming that "premature" LEC pricing flexibility could destroy emerging competition.⁹

U S WEST recently responded to similar arguments by Ad Hoc and others in the Price Cap Review proceeding.¹⁰ While U S WEST will not repeat its rebuttal, one point is worth reiterating. That is -- no party will be harmed if the Commission adopts transition mechanisms to accommodate the emergence of competition in the interstate access market and no further competition emerges.¹¹ Conversely, LECs could suffer substantial harm if the adoption of a transition mechanism is not incorporated in any revision of the Commission's access charge rules. U S WEST continues to believe that the USTA Access Reform Proposal¹² offers a reasonable means for identifying those LEC areas and services that are subject to effective competition.¹³ The Commission should seriously consider this proposal in any access charge reform proceeding and in the Price Cap Review. Failure to

⁹Id. at 14.

¹⁰See In the Matter of Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1, Reply Comments of U S WEST filed June 29, 1994, at 9-18.

¹¹U S WEST believes that competition already has emerged in interstate access markets in select geographic areas, and such competition will increase significantly in the near future. See In the Matter of Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1, Comments of U S WEST filed May 9, 1994 ("U S WEST Comments"), at 69-77, Attachments 7-9; Comments of the United States Telephone Association ("USTA") filed May 9, 1994 ("USTA Comments"), at Attachment 2 at Appendix B.

¹²In the Matter of Reform of the Interstate Access Charge Rules, RM-8356, USTA's Petition for Rulemaking filed Sep. 17, 1993.

¹³This proposal is based on the concept of addressability which measures the extent to which customers have alternative sources of supply. See USTA Comments at Attachment 9 at 11-12.

incorporate a competitive transition mechanism in the access charge rules will only delay the benefits of competition to consumers.

II. THE COMMISSION SHOULD INSTITUTE A PROCEEDING TO ADDRESS UNIVERSAL SERVICE ISSUES

A major portion of Ad Hoc's Petition is devoted to discussing universal service issues. Ad Hoc believes that universal service subsidies in the access charge structure "should be kept to the minimum necessary to efficiently accomplish public policy goals."¹⁴ In urging the Commission to re-examine universal service funding mechanisms and the question of what constitutes universal service, Ad Hoc suggests that "a universal service policy for an increasingly competitive environment should:"¹⁵

- create a mechanism for determining and for delimiting where subsidies should be applied;
- establish how much of a subsidy is appropriate for each situation;
- determine how the subsidy will be funded; and
- establish a mechanism for impartially administering the collection and distribution of such subsidies.¹⁶

¹⁴Petition at 7.

¹⁵ETI Study at 15.

¹⁶Id.; also see Petition at 7.

These goals and other recent work are a reasonable starting point for initiating a proceeding on universal service issues.¹⁷

While U S WEST finds that portions of ETI's study have an anti-LEC bias¹⁸ and disagrees with many of Ad Hoc's proposed solutions, U S WEST supports the initiation of a proceeding to investigate universal service issues.

III. THE COMMISSION SHOULD DE-LINK PART 69 RULE CHANGES FROM
PART 36 AND PROCEED IMMEDIATELY WITH ACCESS REFORM

Ad Hoc notes that current separations rules are largely the result of past political compromises that cannot be explained by cost differences.¹⁹ Ad Hoc believes that current separations rules do more harm than good in terms of their effect on interstate access charges. In addition to advocating a wholesale re-write of jurisdictional separations rules, Ad Hoc recommends that, as an interim step, the Commission de-link Part 36 (i.e., separations) from Part 69 (i.e., access charges).²⁰ Under this approach, LECs would still use an overall Part 36 revenue requirement but costs would no longer be attributed to access charge categories on the same basis as Part 36.²¹ By de-linking

¹⁷USTA has recently issued a position paper on universal service issues which covers some of the same points. USTA and Universal Service: Meeting Customer Requirements into the 21st Century, April 1994.

¹⁸For example, ETI offers nothing other than rhetoric to support its assertion that LECs have not served high cost areas in an efficient manner. ETI Study at 18-19.

¹⁹Id. at 23-25.

²⁰Id. at 32; Petition at 12-14.

²¹ETI Study at 32.

Part 36 from Part 69, the Commission would be able to proceed with access charge reform prior to revision of the Commission's separations rules. U S WEST believes that this is a reasonable approach to moving forward with access reform at the earliest possible date.

IV. THE COMMISSION CAN TAKE A BIG STEP TOWARD ACCESS REFORM
IN ITS PRICE CAP REVIEW PROCEEDING

One of the issues the Commission has raised in the Price Cap Review is whether the LEC price cap plan should be revised to accommodate competition. In responding to this question, U S WEST urged the Commission to employ USTA's Access Reform Proposal to identify and remove from price cap regulation those areas and services which are subject to effective competition.²² U S WEST also recommended that the Commission streamline its rules for introducing new services, including eliminating the requirement to obtain Part 69 waivers prior to the introduction of new switched services.²³ By taking these actions in the Price Cap Review proceeding, the Commission could take a significant step toward revising its access charge rules without the delay associated with a separate rulemaking.

²²U S WEST Comments at 77-85.

²³Id. at 14-15.

V. CONCLUSION

The Commission should act on Ad Hoc's Petition as discussed in the foregoing Comments.

Respectfully submitted,

U S WEST COMMUNICATIONS, INC.

By:

James T. Hannon

James T. Hannon

Suite 700

1020 19th Street, N.W.

Washington, DC 20036

(303) 672-2860

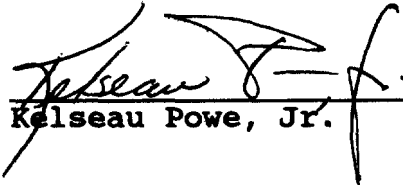
Its Attorney

Of Counsel,
Laurie J. Bennett

July 5, 1994

CERTIFICATE OF SERVICE

I, Kelseau Powe, Jr., do hereby certify that on this 5th day of July, 1994, I have caused a copy of the foregoing **COMMENTS** to be served via first-class United States Mail, postage prepaid, upon the persons listed on the attached service list.


Kelseau Powe, Jr.

***Via Hand-Delivery**

(RM8480.JH/lh)

***James H. Quello**
Federal Communications Commission
Room 802
1919 M Street, N.W.
Washington, DC 20554

***A. Richard Metzger, Jr.**
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, DC 20554

***Andrew C. Barrett**
Federal Communications Commission
Room 826
1919 M Street, N.W.
Washington, DC 20554

***David A. Nall**
Federal Communications Commission
Room 518
1919 M Street, N.W.
Washington, DC 20554

***Reed E. Hundt**
Federal Communications Commission
Room 814
1919 M Street, N.W.
Washington, DC 20554

***Judith A. Nitsche**
Federal Communications Commission
Room 518
1919 M Street, N.W.
Washington, DC 20554

***Susan P. Ness**
Federal Communications Commission
Room 832
1919 M Street, N.W.
Washington, DC 20554

***International Transcription
Services, Inc.**
Suite 140
2100 M Street, N.W.
Washington, DC 20037

***Rachelle B. Chong**
Federal Communications Commission
Room 844
1919 M Street, N.W.
Washington, DC 20554

James S. Blaszak
Francis E. Fletcher, Jr.
Gardner, Carton & Douglas
Suite 900-East Tower
1301 K Street, N.W.
Washington, DC 20005

AD HOC

Susan M. Gately
Dr. Lee L. Selwyn
Economics and Technology, Inc.
One Washington Mall
Boston, WA 02108